

of the Federal Reserve System or whose accounts are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(d) *Nonsupervised institution* means a financial institution which has as its principal activity the lending or investment of funds in mortgages, consumer installment notes, or similar advances of credit, or the purchase of consumer installment contracts, and which is not a supervised institution under paragraph (c) of this section or a governmental institution under paragraph (e) of this section.

(e) *Governmental institution* means a Federal, State or municipal agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

(f) *Investing lender* means a financial institution, including a charitable or nonprofit organization or pension fund, that is approved under this part to purchase, hold, and sell loans that have been originated and insured under 24 CFR part 201. An investing lender may not originate Title I loans in its own name, and it may not service such loans except with the prior approval of the Secretary.

[56 FR 52436, Oct. 18, 1991, as amended at 57 FR 58340, Dec. 9, 1992; 60 FR 13836, Mar. 14, 1995]

§ 202.3 General approval requirements.

To be approved for participation in the Title I property improvement and manufactured home loan programs as either a lender or a loan correspondent, the financial institution shall establish to the satisfaction of the Secretary that it meets, and will continue to meet, the following general requirements:

(a) It shall be a corporation or other chartered institution, a permanent organization having succession, or a partnership meeting the requirements of paragraphs (a)(1) through (a)(4) of this section. It shall be authorized under Federal or State law or regulation to originate or purchase consumer and mortgage loans, or it shall be a Federal, State or municipal agency.

(1) Each general partner must be a corporation or other chartered institution consisting of two or more persons.

(2) One general partner must be designated as the managing general partner. The managing general partner shall comply with the requirements of paragraphs (b), (c) and (i) of this section. The managing general partner must have as its principal activity the management of one or more partnerships, all of which are property improvement or manufactured home loan lenders, and must have exclusive authority to deal directly with the Secretary on behalf of each partnership. Newly admitted partners must agree to the management of the partnership by the designated managing general partner. If the managing general partner withdraws or is removed from the partnership for any reason, a new managing general partner shall be substituted, and the Secretary shall be immediately notified of the substitution.

(3) The partnership agreement shall specify that the partnership shall exist for the minimum term of years required by the Secretary. All Title I loans held by the partnership shall be transferred to an approved Title I lender prior to the termination of the partnership. The partnership shall specifically be authorized to continue its existence if a partner withdraws.

(4) The Secretary must be notified immediately of any amendments to the partnership agreement which would affect the partnership's actions under the title I property improvement or manufactured home loan insurance programs.

(b) It shall employ trained personnel competent to perform their assigned responsibilities in consumer and mortgage lending activities, and shall have adequate staff and facilities to originate and/or service Title I loans.

(c) It shall ensure that a corporate officer or other person authorized to bind the lender shall be responsible for reporting all originations, purchases, and sales of Title I loans to the Secretary for the purpose of obtaining or transferring insurance coverage.

(d) [Reserved]

(e) It shall not use escrow funds collected from borrowers for any purpose

other than that for which they were received.

(f) It shall originate Title I loans from branch offices only with the prior approval of the Secretary, and it shall be responsible to the Secretary for all actions taken by its lending and servicing branches.

(g) It shall file a yearly verification report on a form prescribed by the Secretary.

(h) It shall submit a copy of its latest financial statement and such other information as the Secretary may request, and shall submit to an examination of that portion of its records which relates to its Title I lending activities.

(i) It shall provide prompt notification, on a form prescribed by the Secretary, of all corporate changes, including but not limited to mergers, terminations, changes in name or location, control of ownership, and character of business.

(j) Except for Government Institutions as defined in §202.2, it shall pay an application fee and annual fee, including an additional fee for each branch office authorized by the Secretary to originate Title I loans. These fees shall be in such amounts as the Secretary may require. The Secretary may identify classes or groups of lenders that are exempt from one or more of these fees.

(k) No lender or loan correspondent, nor any officer, director, principal or employee of a lender or loan correspondent, shall:

(1) Be under suspension, debarment, or other restrictions under 24 CFR part 24 or 25 or under similar procedures of any other Federal agency; or

(2) Be indicted for or convicted of an offense which reflects adversely upon the lender or loan correspondent's integrity or its ability to participate in the Title I program.

(Approved by the Office of Management and Budget under control number 2502-0017)

[56 FR 52436, Oct. 18, 1991; 57 FR 6480, Feb. 25, 1992, as amended at 57 FR 58340, Dec. 9, 1992; 58 FR 13536, Mar. 12, 1993; 60 FR 13836, Mar. 14, 1995; 61 FR 8458, Mar. 4, 1996; 61 FR 36263, July 9, 1996]

§202.4 Requirements for supervised lenders.

In addition to the general approval requirements in §202.3, a supervised institution shall meet the following requirements to qualify as a lender:

(a) A supervised institution shall have and maintain a net worth of not less than \$250,000 in assets acceptable to the Secretary.

(b) [Reserved]

(c) A supervised institution shall provide prompt notification to the Secretary in the event of termination of its supervision by its supervisory agency.

[56 FR 52437, Oct. 18, 1991, as amended at 61 FR 8458, Mar. 4, 1996]

§202.5 Requirements for nonsupervised lenders.

In addition to the general approval requirements in §202.3, a nonsupervised institution shall meet the following requirements to qualify as a lender:

(a) A nonsupervised institution shall have and maintain a net worth of not less than \$250,000 in assets acceptable to the Secretary, and shall have and maintain a reliable warehouse line of credit or other funding program acceptable to the Secretary of not less than \$500,000 for use in originating or purchasing Title I loans.

(b) [Reserved]

(c) Within 90 days of the close of its fiscal year and at such other times as may be requested by the Secretary, a nonsupervised institution shall file with the Secretary an audit report and financial statements in a form acceptable to the Secretary, consisting of a balance sheet, a statement of operations and retained earnings, an analysis of net worth adjusted to reflect only assets acceptable to the Secretary, and an analysis of escrow funds. The audit report and financial statements shall be based upon an audit performed by a Certified Public Accountant or by a qualified Independent Public Accountant (as defined by the Comptroller General of the United States) licensed